

Message Text

PAGE 01 STATE 192559
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DRAFTED BY ARA/PAN:D G WAGNER
APPROVED BY ARA/PAN:E NADEAU
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PAGE 02 STATE 192559

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CIA PRIORITY

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BUENOS AIRES - FOR ASSISTANT SECRETARY TODMAN-USEEC

E.O. 11652: N/A

TAGS: PN, PBOR, XX

SUBJECT: DEPARTMENT OF STATE FACT SHEET ON THE PANAMA
CANAL TREATIES

REF: NADEAU/JORDEN TELECON, 1030 HRS, 8/14/77

1. FOLLOWING FACTSHEET HAS BEEN APPROVED BY AMBASSADORS
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DEPARTMENT OF STATE

FACT SHEET

BASIC ELEMENTS OF THE AGREEMENT IN PRINCIPLE ON THE
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PAGE 03 STATE 192559

NEW PANAMA CANAL TREATIES

DEFENSE AND NATIONAL SECURITY.

-- THE UNITED STATES WILL HAVE PRIMARY RESPONSIBILITY

FOR THE CANAL'S DEFENSE DURING THE BASIC TREATY'S TERM
(UNTIL THE YEAR 2000). PANAMA WILL PARTICIPATE, AND AT
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-- A STATUS OF FORCES AGREEMENT SIMILAR TO SUCH
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PRESENCE OF OUR MILITARY FORCES.

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-- IN A SEPARATE TREATY PANAMA AND THE UNITED STATES
WILL MAINTAIN INDEFINITELY A REGIME PROVIDING FOR THE
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PAGE 04 STATE 192559

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-- IT WILL ACT THROUGH A UNITED STATES GOVERNMENT
AGENCY WHICH WILL REPLACE THE PANAMA CANAL COMPANY. A
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BOARD MEMBERS AND THE PANAMANIAN DEPUTY ADMINISTRATOR/
ADMINISTRATOR WILL BE PROPOSED BY PANAMA AND APPOINTED
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THE TREATY'S FINANCIAL PROVISIONS INVOLVE NO CON-
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IN ADDITION THE UNITED STATES WILL COOPERATE WITH PANAMA
OUTSIDE THE TREATY TO PROMOTE PANAMA'S DEVELOPMENT AND
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PAGE 05 STATE 192559

LOANS, LOAN GUARANTEES AND CREDITS WHICH WOULD BE IMPL-

MENTED OVER THE NEXT SEVERAL YEARS UNDER EXISTING STATUTORY PROGRAMS. THIS ECONOMIC COOPERATION PROGRAM WOULD USE UP TO DOLS 200 MILLION IN EXPORT-IMPORT BANK CREDITS, UP TO DOLS 75 MILLION IN AID HOUSING GUARANTEES, AND DOLS 20 MILLION IN OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) LOAN GUARANTEES.

PANAMA WILL ALSO RECEIVE UP TO DOLS 50 MILLION IN FOREIGN MILITARY SALES CREDITS OVER A PERIOD OF TEN YEARS, UNDER EXISTING STATUTORY PROGRAMS, TO IMPROVE PANAMA'S ABILITY TO ASSIST IN THE CANAL'S DEFENSE.

NO MAJOR INCREASE IS CONTEMPLATED IN AID LOANS AND GRANTS.

PRIVATE BUSINESSES AND NON-PROFIT ACTIVITIES IN THE PRESENT CANAL ZONE WILL BE ABLE TO CONTINUE THEIR OPERATIONS ON THE SAME TERMS APPLICABLE ELSEWHERE IN PANAMA.

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EMPLOYEES.

ALL U.S. CIVILIANS CURRENTLY EMPLOYED IN THE CANAL ZONE CAN CONTINUE IN UNITED STATES GOVERNMENT JOBS UNTIL RETIREMENT. PRESENT EMPLOYEES OF THE CANAL COMPANY AND CANAL ZONE GOVERNMENT MAY CONTINUE TO WORK FOR THE NEW AGENCY UNTIL THEIR RETIREMENT OR UNTIL THE TERMINATION OF THEIR EMPLOYMENT FOR ANY OTHER REASON. THE NUMBER OF PRESENT U.S. CITIZEN EMPLOYEES OF THE COMPANY WILL BE REDUCED 20 PERCENT DURING THE FIRST FIVE YEARS OF THE

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PAGE 06 STATE 192559

FACILITIES FOR THE FIRST FIVE YEARS OF THE TREATY. NEW UNITED STATES CITIZEN EMPLOYEES WILL GENERALLY BE ROTATED EVERY FIVE YEARS.

TERMS AND CONDITIONS OF EMPLOYMENT WILL GENERALLY BE NO LESS FAVORABLE TO PERSONS ALREADY EMPLOYED THAN THOSE IN FORCE IMMEDIATELY PRIOR TO THE START OF THE TREATY. HIRING POLICY WILL PROVIDE PREFERENCES FOR PANAMANIAN APPLICANTS. WITH REGARD TO BASIC WAGES THERE SHALL BE NO DISCRIMINATION ON THE BASIS OF NATIONALITY, SEX OR RACE. THE UNITED STATES WILL PROVIDE AN APPROPRIATE EARLY RETIREMENT PROGRAM. PERSONS EMPLOYED IN ACTIVITIES TRANSFERRED TO PANAMA WILL TO THE MAXIMUM EXTENT POSSIBLE BE RETAINED BY PANAMA. PANAMA AND THE UNITED STATES WILL

COOPERATE IN PROVIDING APPROPRIATE HEALTH AND RETIREMENT PROGRAMS.

PANAMA WILL ASSUME GENERAL TERRITORIAL JURISDICTION OVER THE PRESENT CANAL ZONE AT THE TREATY'S START. UNITED STATES CRIMINAL JURISDICTION OVER ITS NATIONALS WILL BE PHASED DOWN DURING THE FIRST THREE YEARS OF THE TREATY. THEREAFTER, PANAMA WILL EXERCISE PRIMARY CRIMINAL JURISDICTION WITH THE UNDERSTANDING THAT IT MAY WAIVE JURISDICTION TO THE UNITED STATES. UNITED STATES CITIZEN EMPLOYEES AND THEIR DEPENDENTS CHARGED WITH CRIMES WILL BE ENTITLED TO PROCEDURAL GUARANTEES AND WILL BE PERMITTED TO SERVE ANY SENTENCES IN THE UNITED STATES IN ACCORDANCE WITH A RECIPROCAL ARRANGEMENT.

NEW SEA-LEVEL CANAL.

PANAMA AND THE UNITED STATES COMMIT THEMSELVES JOINTLY TO STUDY THE FEASIBILITY OF A SEA-LEVEL CANAL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 07 STATE 192559

AND, IF THEY AGREE THAT SUCH CANAL IS NECESSARY, TO NEGOTIATE MUTUALLY AGREEABLE TERMS FOR ITS CONSTRUCTION. IN ADDITION THE UNITED STATES WILL HAVE THE RIGHT THROUGHOUT THE TERM OF THE BASIC TREATY TO ADD A THIRD LANE OF LOCKS TO INCREASE THE CAPACITY OF THE EXISTING CANAL.

TREATIES.

THERE WILL BE TWO TREATIES: (1) A TREATY GUARANTEEING THE PERMANENT NEUTRALITY OF THE CANAL, AND (2) A BASIC TREATY GOVERNING THE OPERATION AND DEFENSE OF THE CANAL

WHICH WILL EXTEND THROUGH DECEMBER 31, 1999. THE BASIC TREATY WILL BE SUPPORTED BY SEPARATE AGREEMENTS IN IMPLEMENTATION OF ITS PROVISIONS CONCERNING DEFENSE AND OPERATION OF THE CANAL.

BACKGROUND INFORMATION

PURPOSE OF THE TREATIES. THE NEW TREATIES ON THE PANAMA CANAL WILL PROVIDE AN ENTIRELY NEW BASIS FOR COOPERATION BETWEEN THE UNITED STATES AND PANAMA IN THE OPERATION AND DEFENSE OF THE PANAMA CANAL. THEY WILL REPLACE THE U.S.-PANAMA TREATY OF 1903, WHICH HAS GOVERNED CANAL OPERATIONS SINCE THE WATERWAY'S CONSTRUCTION, AND SUBSEQUENT AMENDMENTS.

THE EXISTING SYSTEM. UNDER THE 1903 TREATY, THE U.S. HAS TOTAL CONTROL OF CANAL OPERATIONS. THE U.S. ALSO ADMINISTERS THE CANAL ZONE -- AN AREA OF

PANAMANIAN TERRITORY FIVE MILES WIDE ON EITHER SIDE OF THE CANAL. IN THIS AREA PANAMA HAS SOVEREIGNTY WHILE WE HAVE "AS-IF-SOVEREIGN" RIGHTS PERMANENTLY. THIS ARRANGEMENT IS DEEPLY RESENTED IN PANAMA AND A LIABILITY IN OUR RELATIONS WITH LATIN AMERICA AND WITH MANY OTHER NATIONS OF THE WORLD.

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PAGE 08 STATE 192559

BASIC U.S. OBJECTIVES. IN NEGOTIATING A NEW TREATY, THE UNITED STATES HAS PROCEEDED ON THE BASIS THAT ITS NATIONAL INTEREST LIES IN ASSURING THAT THE CANAL CONTINUES TO BE EFFICIENTLY OPERATED, SECURE, NEUTRAL, AND OPEN TO ALL NATIONS ON A NON-DISCRIMINATORY BASIS. FUNDAMENTAL TO THIS OBJECTIVE IS THE COOPERATION OF PANAMA.

HISTORY OF THE NEGOTIATIONS.

THE NEGOTIATIONS, EXTENDING OVER THIRTEEN YEARS, HAVE BEEN PURSUED BY FOUR ADMINISTRATIONS OF BOTH PARTIES. THEY BEGAN IN 1964, FOLLOWING A SERIOUS CRISIS IN U.S.-PANAMANIAN RELATIONS CREATED BY RIOTING ALONG

THE CANAL ZONE BOUNDARY IN WHICH 20 PANAMANIANS AND 4 AMERICANS WERE KILLED. IN DECEMBER 1964, PRESIDENT JOHNSON, AFTER CONSULTING WITH PRESIDENTS EISENHOWER AND TRUMAN, ANNOUNCED THAT THE U.S. WOULD BEGIN TALKS WITH PANAMA ON AN ENTIRELY NEW CANAL TREATY. THESE NEGOTIATIONS RESULTED IN DRAFT TREATIES THAT WERE NOT ACTED ON BY EITHER COUNTRY. THE PRESENT SERIES OF NEGOTIATIONS BEGAN IN 1973

WITH THE APPOINTMENT OF AMBASSADOR BUNKER AS CHIEF NEGOTIATOR BY PRESIDENT NIXON AND CONTINUED DURING THE FORD ADMINISTRATION. PRESIDENT CARTER DECIDED TO CONTINUE THE NEGOTIATIONS AFTER TAKING OFFICE IN JANUARY 1977 AND APPOINTED AMBASSADOR SOL LINOWITZ TO SERVE AS CO-NEGOTIATOR WITH AMBASSADOR BUNKER. THE DEPARTMENT OF DEFENSE HAS BEEN AN ACTIVE PARTICIPANT IN THE NEGOTIATIONS AND HAS BEEN REPRESENTED BY LT. GENERAL WELBORN G. DOLVIN.

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PAGE 09 STATE 192559

DATA ON THE PANAMA CANAL.

-- DESCRIPTION. THE CANAL IS 51 MILES LONG. IT IS A LOCK CANAL, OPERATING BY GRAVITY FLOW OF WATER FROM SPECIALLY CONSTRUCTED RESERVOIRS.

-- COST. IT IS EXTREMELY DIFFICULT TO PROVIDE A

SINGLE FIGURE FOR THE COST OF THE CANAL. THE CONSTRUCTION COST TO THE UNITED STATES AT THE TIME OF COMPLETION OF THE CANAL IN 1914 WAS DOLS 387 MILLION. THE AMOUNT OF UNRECOVERED U.S. INVESTMENT IN THE CANAL IS DOLS 752 MILLION. THE CURRENT BOOK VALUE OF THE CANAL AND RELATED FACILITIES IS DOLS 561.5 MILLION.

-- WORK FORCE. THE CANAL ENTERPRISE EMPLOYS 13,139 PERSONS, OF WHOM 27 PERCENT ARE U.S. CITIZENS. ALMOST ALL OF THE OTHERS ARE PANAMANIAN.

-- DEFENSE. THE UNITED STATES MAINTAINS SEVEN MILITARY BASE AREAS IN THE CANAL ZONE. TOTAL UNITED STATES MILITARY PERSONNEL ARE 9,300.

-- FINANCIAL CONDITION. SINCE 1951 THE CANAL HAS BEEN REQUIRED BY LAW TO MEET ITS OWN OPERATING COSTS. UNTIL 1973 IT DID SO. IT HAS SHOWN A NET OPERATING LOSS EACH YEAR SINCE 1973 WITH THE RESULT THAT TOLLS HAVE BEEN RAISED -- THE FIRST TOLL INCREASES SINCE THE CANAL WAS OPENED.

-- IMPORTANCE TO U.S. TRADE. OF ALL THE FOREIGN TRADE GOING IN AND OUT OF U.S. SEAPORTS, 7.0 PERCENT PASSED THROUGH THE PANAMA CANAL IN 1976. THIS COMPARES WITH 13 PERCENT IN 1949." VANCE

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PAGE 08 STATE 192559

BEGIN TALKS WITH PANAMA ON AN ENTIRELY NEW CANAL TREATY. THESE NEGOTIATIONS RESULTED IN DRAFT TREATIES THAT WERE NOT ACTED ON BY EITHER COUNTRY. THE PRESENT SERIES OF NEGOTIATIONS BEGAN IN 1973

WITH THE APPOINTMENT OF AMBASSADOR BUNKER AS CHIEF NEGOTIATOR BY PRESIDENT NIXON AND CONTINUED DURING THE FORD ADMINISTRATION. PRESIDENT CARTER DECIDED TO CONTINUE THE NEGOTIATIONS AFTER TAKING OFFICE IN JANUARY 1977 AND APPOINTED AMBASSADOR SOL LINOWITZ TO SERVE AS CO-NEGOTIATOR WITH AMBASSADOR BUNKER. THE DEPARTMENT OF DEFENSE HAS BEEN AN ACTIVE PARTICIPANT IN THE NEGOTIATIONS AND HAS BEEN REPRESENTED BY LT. GENERAL WELBORN G. DOLVIN.

DATA ON THE PANAMA CANAL.

-- DESCRIPTION. THE CANAL IS 51 MILES LONG. IT IS
A LOCK CANAL, OPERATING BY GRAVITY FLOW OF WATER FROM
SPECIALLY CONSTRUCTED RESERVOIRS.

-- COST. IT IS EXTREMELY DIFFICULT TO PROVIDE A
SINGLE FIGURE FOR THE COST OF THE CANAL. THE
CONSTRUCTION COST TO THE UNITED STATES AT THE TIME
OF COMPLETION OF THE CANAL IN 1914 WAS DOLS 387 MILLION.
THE AMOUNT OF UNRECOVERED U.S. INVESTMENT IN THE
CANAL IS DOLS 752 MILLION. THE CURRENT BOOK VALUE OF
THE CANAL AND RELATED FACILITIES IS DOLS 561.5 MILLION.

-- WORK FORCE. THE CANAL ENTERPRISE EMPLOYS 13,139
PERSONS, OF WHOM 27 PERCENT ARE U.S. CITIZENS. ALMOST
ALL OF THE OTHERS ARE PANAMANIAN.

-- DEFENSE. THE UNITED STATES MAINTAINS SEVEN
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PAGE 09 STATE 192559

MILITARY BASE AREAS IN THE CANAL ZONE. TOTAL UNITED
STATES MILITARY PERSONNEL ARE 9,300.

-- FINANCIAL CONDITION. SINCE 1951 THE CANAL HAS
BEEN REQUIRED BY LAW TO MEET ITS OWN OPERATING COSTS.
UNTIL 1973 IT DID SO. IT HAS SHOWN A NET OPERATING
LOSS EACH YEAR SINCE 1973 WITH THE RESULT THAT TOLLS
HAVE BEEN RAISED -- THE FIRST TOLL INCREASES SINCE
THE CANAL WAS OPENED.

-- IMPORTANCE TO U.S. TRADE. OF ALL THE FOREIGN
TRADE GOING IN AND OUT OF U.S. SEAPORTS, 7.0 PERCENT
PASSED THROUGH THE PANAMA CANAL IN 1976. THIS COMPARES
WITH 13 PERCENT IN 1949." VANCE

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Message Attributes

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Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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Status: NATIVE
Subject: DEPARTMENT OF STATE FACT SHEET ON THE PANAMA CANAL TREATIES
TAGS: EWWT, PBOR, US, PN, XX
To: ALL AMERICAN REPUBLIC DIPLOMATIC POSTS BELIZE MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a9e75751-c288-dd11-92da-001cc4696bcc
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